
AUDIT REPORT



WILMINGTON HOUSING AUTHORITY PUBLIC HOUSING OPERATIONS WILMINGTON, DELAWARE

00-PH-204-1004

SEPTEMBER 28, 2000

OFFICE OF AUDIT, MID-ATLANTIC
PHILADELPHIA, PENNSYLVANIA



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TO: Malinda Roberts, Director, Office of Public Housing, 3APH

FROM: *for* *Thad Staniel*
Daniel G. Temme, District Inspector General for Audit, Mid-Atlantic, 3AGA

SUBJECT: Wilmington Housing Authority
Public Housing Operations
Wilmington, Delaware

We completed an audit of selected aspects of the operations of the Wilmington Housing Authority (WHA). The purpose of the audit was to determine whether the WHA administered the activities selected in an efficient, effective, and economical manner and in compliance with the terms and conditions of the Annual Contributions Contract, applicable laws, HUD Regulations, and other applicable directives.

The WHA did not operate in an efficient, effective, and economical manner. Improvements are needed in the areas of disbursing funds, funding approved Comprehensive Grant Program (CGP) activities, and procuring goods and services. This report contains four findings and applicable recommendations to improve the effectiveness of the WHA's operations.

Within 60 days please give us, for each recommendation in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact J. Phillip Griffin, Assistant District Inspector General for Audit, at (215) 656-3401.

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Executive Summary

We completed an audit of selected aspects of the operations of the Wilmington Housing Authority (WHA). The purpose of the audit was to determine whether the WHA administered the activities in an efficient, effective, and economical manner, and in compliance with the terms and conditions of the Annual Contributions Contract, HUD Regulations and other applicable laws and directives. Our audit generally covered operations from April 1, 1995 through September 30, 1999.

The WHA Lacked Fiscal Responsibility

We found the WHA lacked fiscal responsibility over its operations during the period of review. This occurred because the former Executive Director ignored applicable Federal regulations and WHA operating guidelines governing the administration of the WHA. Specifically, the former Executive Director routinely allowed expenditures to be made, and/or approved expenditures that were contrary to the WHA's approved operating budget and Federal and WHA requirements. As a result, the WHA incurred \$1,331,315 of ineligible cost (\$687,349, \$629,716, and \$14,250 in Findings 1, 2, and 4, respectively) and \$373,105 of unsupported cost (\$309,273 and \$63,832 in Findings 1 and 4, respectively). In addition, we identified another \$174,609 in expenditures which, although were considered eligible to the program they were charged, we believe should have been deferred due to the nature of the expenditures and deteriorating financial position of the WHA.

Within a two-year period, the actions of the former Executive Director depleted the WHA's Operating Reserve by more than \$2.3 million while operating expenditures rose to a record high of \$12.4 million. The Operating Reserve decreased from over \$2.9 million in 1997 to only \$596,000 by the end of 1999. The former Executive Director's financial mismanagement has placed the WHA in a difficult financial situation that will likely have long term effects on the financial stability of the WHA.

The WHA Did Not Follow Its Own Procurement Policy Or Federal Requirements

The above condition is further magnified when consideration is given to the deficiencies that existed in the WHA's procurement operations. We found the WHA: allowed various departments to make purchases contrary to policy; awarded contracts without competition; did not perform cost estimates of planned work; did not obtain the Board's required approval; did not ensure that the work was

performed in accordance with contract requirements; and did not obtain services properly. These conditions occurred because the former Executive Director and WHA's staff ignored Federal and WHA procurement requirements. Furthermore, the former Executive Director did not take appropriate actions to ensure the staff followed those requirements.

Other Audits Confirmed WHA Problems

During our audit, the State of Delaware, Office of Auditor of Accounts, performed an audit of the WHA and issued an audit report with 21 findings on September 29, 1999. In addition, the WHA's independent auditor performed a Single Audit of the WHA activities for the two-year period ending March 31, 1999. That report was issued on January 11, 2000, and contained 53 findings. The conditions in those reports also indicate a need to improve the financial management of the WHA's operations.

Actions Were Taken To Correct Problems At The WHA

Because of the questions and problems raised during the course of the HUD and State audits, local press coverage, and the concerns expressed about the WHA's operations, the Mayor of Wilmington, Delaware, removed four members of the nine member Board of Commissioners and three others resigned. On March 23, 1999, the Mayor appointed seven new Commissioners to the WHA's Board. The new Board immediately suspended the former Executive Director and former Deputy Executive Director, and on June 11, 1999, terminated their employment with the WHA. An interim Executive Director was appointed and a new Executive Director was hired in March 2000. The WHA's new Board and new management team have taken appropriate actions to improve WHA's operations.

Recommendations

Since a new Board was appointed and the former Executive Director and Deputy Director were removed during the audit, no recommendation to replace the WHA's management was necessary. However, we made a recommendation that administrative action be taken against the former Executive Director to prevent this situation from occurring at another PHA in the future.

We also made recommendations designed to improve WHA operations. Specifically, we recommended the WHA (1) update its procurement policy and improve its contract administration; (2) update its travel policy to improve the method of budgeting, authorizing, reporting, reimbursing, and accounting for official travel; (3) establish a policy for credit card purchases; and (4) reimburse HUD for all ineligible costs and unsupported costs which it can not adequately support.

We discussed the findings and recommendations with WHA and HUD staff during the audit and at an exit conference on September 18, 2000. The WHA chose not to make any comments at this time other than it will review each of the findings and provide any supporting documentation that may exist.

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Abbreviations

ACC	Annual Contributions Contract
CFR	Code of Federal Regulations
CGP	Comprehensive Grant Program
CIAP	Comprehensive Improvement Assistance Program
HUD	U.S. Department of Housing and Urban Development
OIG	Office of Inspector General
OMB	Office of Management and Budget
PHA	Public Housing Authority
WHA	Wilmington Housing Authority

Introduction

The Wilmington Housing Authority (WHA) was organized in 1938 under the laws of the State of Delaware to develop, acquire, and operate low-rent housing programs. The WHA administers 1,836 low-rent public housing units located in 10 conventional developments and 451 units located in various scattered sites. Also, the WHA has a Section 8 Program consisting of certificates and vouchers (25 and 1042 authorized, respectively). Further, the WHA acts as the management agent for a development formally owned by the WHA.

The WHA administers public housing pursuant to an Annual Contributions Contract (ACC) with HUD. Financial assistance from HUD to the WHA, for fiscal years 1996 through 2000, includes:

- annual operating subsidies to operate and maintain its housing developments (\$34,222,921);
- comprehensive grant funds to upgrade units (\$20,819,019);
- drug elimination grant funds primarily for eliminating drug-related crime and problems associated with it (\$2,439,231); and
- Hope VI grant funds to revitalize severely distressed public housing and expand assisted housing opportunities (\$16,820,350).

The WHA Financial Statements for the fiscal years 1995 through 1999 indicate the following:

Fiscal Year	Revenue	Operating Expenditures	HUD Subsidy	Operating Surplus/ (Deficit)	Operating Reserve
1995	\$ 2,768,535	\$ 9,375,914	\$ 5,641,992	(\$ 965,387)	\$ 1,688,657
1996	\$ 2,528,821	\$ 8,794,852	\$ 7,226,549	\$ 960,518	\$ 2,649,175
1997	\$ 2,922,711	\$ 9,408,546	\$ 6,789,300	\$ 303,465	\$ 2,952,640
1998	\$ 3,143,337	\$10,965,969	\$ 7,056,642	(\$ 765,990)	\$ 2,186,650
1999	\$ 3,685,758	\$12,426,575	\$ 7,149,868	(\$1,590,949)	\$ 595,700

As illustrated above, the WHA's operating deficits have had a significant impact on the Operating Reserves over the last years.

The WHA's Problems Drew Attention

A nine member Board of Commissioners governs the WHA. Seven of the Commissioners are appointed by the Mayor of Wilmington, one is appointed by the Governor of Delaware, and one is appointed by the County Executive.

In January 1999, WHA's growing financial problems became known to the public since the Executive Director prepared to cut 22 staff positions, eliminating security workers at the elderly and disabled resident's high rise structures, and eliminating the youth center to cover a

projected \$400,000 deficit. The Executive Director frustrated the WHA Board's attempt to determine the financial problems and why bills were not being paid. The projected deficit grew to \$1.7 million with reports of spending hundreds of thousands of dollars on travel, food, frills, giveaways, etc. The Executive Director and the Deputy did not attend Board meetings on the proposed budget and would not answer questions on the WHA's financial problems.

In March 1999, the Mayor terminated four of the Commissioners and three others resigned. On March 23, 1999, the Mayor appointed seven new Commissioners.

On March 26, 1999, the Board of Commissioners suspended the Executive Director and the Deputy Executive Director who had been employed by the WHA since 1994. The Board appointed an Interim Executive Director. On June 11, 1999, the suspended Executive Director and Deputy Executive Director were terminated. A new Executive Director was appointed in March 2000.

Audit Objectives And Scope

The audit objectives were to determine if the WHA administered selected aspects of its housing activities in an efficient, effective, and economical manner and in compliance with the terms and conditions of its Annual Contributions Contract, HUD Regulations, and other applicable laws and directives.

To accomplish these objectives, we reviewed books and records considered necessary under the circumstances; reviewed applicable Regulations, policies, and other directives; interviewed staff from HUD and the WHA; and reviewed the audit reports prepared by other auditors. We reviewed, using judgmental samples:

- Disbursements from Operations totaling approximately \$4.4 million (approximately six percent of the total disbursements during the period).
- Contracts from Comprehensive Grant Program funds totaling \$6,197,856.

- Procurement files for 32 procurements, totaling \$7,766,716 (which includes the \$6,197,856 of CGP funds).
- Travel expenditures from 131 travel vouchers judgmentally selected from travel for fiscal years 1997 through 1999.

The audit generally covered the period April 1, 1995 through September 30, 1999, but was expanded when necessary to include other periods. The audit work was conducted between November 1998 and August 2000. We conducted the audit in accordance with generally accepted government auditing standards.

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Former Management Depleted the WHA's Operating Reserves

The WHA paid ineligible costs of \$687,349 and unsupported costs of \$309,273 from its funds during our review period of April 1995 through September 1999. In addition, we identified another \$174,609 in disbursements which, although were considered eligible to the programs charged, should have been deferred due to the nature of the expenses and the deteriorating financial position of the WHA. The misuse/misapplication of the WHA funds occurred because the former Executive Director ignored applicable Federal regulations and WHA procedures which should have been followed in operating the WHA. Also, the former Executive Director routinely allowed expenditures to be made that were not included in, or were in excess of, approved budgeted amounts. Within a two-year period, these actions depleted the WHA Operating Reserves by more than \$2.3 million. The former Executive Director's financial management of the WHA has placed the WHA in a difficult financial situation that will likely take years to recover. Furthermore, the misused/misapplied WHA funds should have been utilized to further the WHA's mission of providing decent, safe, and sanitary housing to low-income individuals.

Criteria

The Terms and Conditions in Part A of the Consolidated Annual Contributions Contract (ACC) between the WHA and HUD set forth requirements applicable to all the WHA's projects. The following are pertinent extracts of the ACC.

Section 2 defines operating expenditures as costs incurred for administration, maintenance, and other costs and charges necessary for the operations of the project.

Section 4 states the mission of the WHA is to develop and operate each project solely for the purpose of providing decent, safe, and sanitary housing for eligible families in a manner that promotes serviceability, economy, and stability of the project.

Section 5 requires the WHA to develop and operate the projects in accordance with all provisions of the ACC and all statutes, executive orders, and regulations.

Section 9 (C) allows the WHA to withdraw funds from the general fund to pay the cost to develop and operate the projects and for other purposes as may be specifically approved by HUD.

Section 11 (D) states that the WHA shall not incur any operating expenditures except pursuant to an approved operating budget and that budget will be amended for any operating emergencies.

Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Subsection C.1. addresses factors affecting allowability of costs. Item a. states the cost must be necessary and reasonable for proper and efficient performance and administration of Federal awards. Further, item j. states the cost must be adequately documented.

Also, OMB Circular A-87, Attachment B, Sections 1 through 42 address allowability of the various items of cost. The applicable criteria will be detailed in the appropriate sections of the finding.

Requirements for the Comprehensive Improvement Assistance Program (CIAP) are contained in HUD Handbook 7485.1 Rev-4, Public and Indian Housing Comprehensive Improvement Assistance. Eligible costs, which are basically to improve the condition and upgrade the management and operation of projects, are discussed in Chapter 2 and Appendix 2.

Paragraph 8 of HUD Handbook 7420.7 CHG-9, Public Housing Agency Administrative Practices Handbook for the Section 8 Existing Housing Program, covers the Operating Reserve, the account credited with any earned administrative fees in excess of expenditures for program administration during the fiscal year. The Operating Reserve may not be used for unallowable costs, including among others: contributions and donations unless in direct connection with provision of housing or housing related services; and costs that are not for a housing purpose. Also, the Board of Commissioners must set a threshold for the amount of expenditures which may be made from the Operating Reserve for other housing purposes without prior approval of the Board.

Title 24 of the Code of Federal Regulations (CFR) Part 24 allows HUD to take administrative action against individuals who violate HUD's requirements.

Ineligible Expenses Were Paid

Our review identified ineligible costs totaling \$687,349. We categorized the ineligible costs based on information on the invoices and/or check vouchers (See Appendix B). Detailed information regarding these costs was provided to your office and the WHA during the audit.

We reviewed the ineligible costs with staff from HUD's Pennsylvania State Office, Office of Public Housing. These costs represent what both HUD-Management and HUD-OIG agree are ineligible using the criteria stated above. None of the ineligible expenditures were previously listed in the approved budget or otherwise approved by HUD. To illustrate the types of costs (as included in the table in Appendix B) that were incurred, an explanation of items in the more significant expense categories follows.

- Meals and food costs: \$87,168 was expended for food served at breakfasts, lunches, dinners, seminars, trips, retirements, picnics, committee meetings (PAC, finance, personnel, search), secretaries day, staff meetings, meetings, holiday affairs, dedications, etc. Special cakes and cookies were also provided for birthdays, graduation, appreciation, and parties. The persons in attendance were not listed and in many cases no information other than "meeting" was noted. All items in this category are considered entertainment type expenditures, personal in nature and are in violation of OMB Circular A-87, Attachment B, Section 18.
- Promotional Items: Of the \$67,629: \$33,526 was spent for hats, buttons, mugs, T-shirts and sweatshirts; \$8,815 was expended on the WHA's 60th Anniversary; and \$25,288 covered other promotional items such as keychains, canvas bags, paperweights, stockings, etc. Expenditures for promotional items and advertisement are not allowable costs as provided for in OMB Circular A-87, Attachment B, Section 2.

- Award Dinners: The \$56,010 includes: \$19,630 for speakers; \$30,557 for room costs and meals on a per person basis, and the \$5,823 balance was for awards, printing, mini suite rental, etc. All items in this category are considered entertainment and are in violation of OMB Circular A-87, Attachment B, Section 18.
- Charter School: These costs totaling \$57,137 consist of: \$15,000 for 3.5 month salary for the Head Mistress; \$28,000 paid to a contractor for taking the parents and students on field trips; \$7,057 for food served at the School's Board meetings, grand opening of the school, and school lunches; \$5,262 for normal janitorial services; and \$1,818 for other items. The Charter School is funded by the State of Delaware and payment of expenses for the school is contrary to the ACC and the HUD Handbook sections cited above.
- Sponsorships: In expending \$61,880, the WHA wrote checks to 40 different organizations in amounts ranging from \$100 to \$25,000. The methods included purchasing tickets totaling \$6,023 (annual dinners, award ceremonies, charity affairs, scholarship luncheons and banquets, etc.); sponsoring events totaling \$39,364 (McDonald's LPGA Luncheon \$5,000, Pro-Am LPGA \$5,000, Wilmington Women's Conference \$25,000, Evening with the Mayor \$1,000, etc.); and various pledges and donations, including a \$5,000 donation to the Delaware Contractors Association. Contributions and donations are not allowable expenses as stated in OMB Circular A-87, Attachment B, Section 13.
- Event Tickets: Of the \$50,251 in this category, the WHA spent \$18,010 for Philadelphia 76ers tickets, of which four were season tickets, for 2 years, costing \$14,584. In addition, the WHA purchased Blue Rock tickets for \$10,280; Warrior tickets for \$3,900; Circus and Ice Performances for \$5,858; theatre tickets for \$3,738; and others for \$3,465. All items in this category are considered entertainment and are in violation of OMB Circular A-87, Attachment B, Section 18.

- Basketball: In expending \$48,769, the WHA purchased uniforms for the players and the coaches at a cost of \$14,938. Also included was \$29,011 for the cost of tournaments (including rentals, referees, hotel rooms and food, video tape coverage), and other basketball activity costs. These payments are contrary to the ACC and HUD Handbook requirements.
- Other: We included in this category totaling \$45,830: the cost of the residents 3-day conference at the Wilmington Holiday Inn Downtown where one lunch, two dinners, three coffee breaks, room rental, etc. were provided at a cost of \$20,987; and the cost of picnic coolers and jugs given to employees as gifts at a cost of \$7,807.
- Credit Card: This category totaled \$1,158. The former Executive Director and the former Deputy Executive Director obtained and used the WHA credit cards for their purchases. Included in our sample were 22 billings totaling \$86,125 by the credit card company. Although the majority of the expenses are included in the unsupported costs that follow, we did note: late payments resulted in the assessment of finance fees of \$1,134; late payment fees of \$14; and over the limit fees of \$10. The WHA does not have a policy to control the use of credit cards.

Costs Are Not Adequately Documented

Our review also disclosed costs totaling \$309,273 were not supported with proper documentation. OMB Circular A-87, Attachment A, Section C. 1.j. states that costs, to be allowable, must be properly documented. The following table summarizes the unsupported costs. Detailed information was provided to your office and the WHA during the audit.

Finding 1

Category of Expense	Program Charged		Total Unsupported Cost
	Public Housing	Section 8	
Modeling School	\$ 72,500	\$ 30,000	\$102,500
Steel Drum Band	35,990	1,207	37,197
Basketball	11,500	21,200	32,700
Other Sports & Activities	22,792	6,300	29,092
Donations & Advertising	5,830	16,620	22,450
Photography, Video, Etc.	19,269	0	19,269
Student Graduation & Scholarships	2,488	11,133	13,621
Commissioner's Meals	10,856	0	10,856
Boxing	3,000	0	3,000
Other	23,553	15,035	38,588
Total Unsupported Cost	\$207,778	\$101,495	\$309,273

The vouchers and invoices did not provide sufficient information to support the expenditures or indicate how the expenditures would promote or benefit the mission of the WHA.

Expenses Should Have Been Deferred

In our review, we identified expenditures totaling \$174,609 which, although considered to be eligible expenses to the programs they were charged, we believe should have been deferred due to the nature of the expenditure and drain on the WHA's Operating Reserves. These expenditures further illustrate the former Executive Director's inability to properly manage the WHA and to maintain the financial integrity of the WHA's operations.

Some of these more significant expenditures are detailed below:

- The former Executive Director produced a television show called "Charlie's Train", which cost \$80,760. We were advised that the show covered items of interests to the WHA's residents. Although not specifically provided for in the budget, the HUD Pennsylvania State Office found the costs eligible to be charged to the Public Housing Program.

- The former Executive Director expended \$53,828 for work on a Charter School which is housed in the WHA's community building. The vouchers showed that \$600 was charged to Section 8; \$10,014 was charged to the Public Housing operating expense accounts; and \$43,214 was coded to accounts receivable from the Charter School. We did not find any information that indicated repayment.
- The former Executive Director disbursed \$40,020 for: designing the WHA's logo \$4,000; tennis lessons \$5,000; truancy program \$5,000; summer camp \$16,770; donations \$2,700; personal development workshop \$2,000; public relations services \$2,550; and youth services \$2,000.

In summary, the former Executive Director ignored many of the applicable Federal regulations and WHA procedures, and made decisions which indicated a lack of concern regarding the financial health of the WHA. Ineligible and unsupported costs totaling \$996,622 were paid and, in our opinion, another \$174,609 in expenses should have been deferred. The former Executive Director was responsible for dramatically increasing WHA operating expenditures, which resulted in operating deficits, that nearly depleted the WHA's Operating Reserve. As a result of the former Executive Director's financial management, the WHA unnecessarily expended and/or wasted funds that should have been used to further its mission of providing decent, safe and sanitary housing to low-income individuals. Furthermore, the WHA's financial stability was compromised because its Operating Reserves were unnecessarily depleted.

Recommendations

We recommend that you:

- 1A. Based on information in this finding and in this report, take appropriate administrative action against the former Executive Director.
- 1B. Require the WHA to reimburse the Federal Programs the ineligible cost of \$687,349.

- 1C. Require the WHA to provide supporting documentation for the unsupported expenditures of \$309,273. Any amount not properly supported should be considered ineligible costs. The documentation should include and not be limited to the following:
- For any event, training, activity, etc., attended by a WHA resident, identify the purpose, name of the participant or attendee, and the project where the attendee lived.
 - For each meal served to the Board and charged to the Federal Program, a copy of the minutes of the meeting, names of the persons covered by the charges, and the reason why meals were deemed necessary.
 - For payments to residents as scholarships or for graduation, information on the program, and how the students were selected that received the payments. Also, the names of those who applied and did not receive any payment.
- 1D. Require the WHA to establish a policy on the use of credit cards. The policy should require the user to turn in a copy of the charge receipt and the vendors' billing, and the Director of Finance to perform a monthly reconciliation of the billing with the individual charge receipts.

Comprehensive Grant Program Funds Were Not Used Properly

The WHA used \$629,716 Comprehensive Grant Program (CGP) funds to renovate a community building to house the East Side Charter School (Charter School) without the required authorization. This activity was not included in the WHA's approved Annual Statements or Five-Year Action Plan and was not presented at a public hearing as required. This occurred because the former Executive Director, who also was a member and Chairman of the Charter School's Board, had a personal and professional interest in starting and running the school. In order to achieve this goal, the former Executive Director and Chairman of the WHA's Board of Commissioners ignored the applicable HUD and other Federal requirements. Consequently, the WHA spent \$629,716 in ineligible costs that should have been used to improve the WHA's existing housing stock.

Criteria

Title 24 CFR 968.112(a)(1)(i) states eligible CGP costs are, among other items, for undertaking activities described in the WHA's approved annual statement (24 CFR 968.325) and approved Five-Year Action Plan (24 CFR 968.315[e][5]). This Section also states that the HUD Field Office has the authority to approve nondwelling space where such space is needed to administer, and is of direct benefit to, the public housing program.

Title 24 CFR 968.315(b)(3) requires the WHA to provide public notice to hold an advance meeting with the residents [required under Part 968 Section 315(b)(4)] and to hold the public meeting [required under Part 968 Section 315(b)(5)]. In addition, Part 968 Section 315(e)(2), requires the WHA to prepare a Physical Needs Assessment which identifies all work the WHA would be undertaking under the Grant to bring its projects up to the modernization and energy conservation standards required by the Act.

Background Of The Charter School

The East Side Charter School of Wilmington, Inc. is a non-profit Delaware corporation incorporated for educational and charitable purposes. Its purpose is to facilitate the education of low-income children, and to address the special needs of economically deprived students. However, the Charter School cannot be restricted to the public housing residents since preference cannot be given to anyone. Enrollment must be open to all persons in the State of Delaware. In addition, if the Charter School is

oversubscribed, a lottery must be held rather than using a waiting list system. The WHA did not have any statistics available on the initial projections of how the public housing residents would be served or on the actual benefit to the public housing residents based on actual class attendance information.

The WHA provided documentation, which indicates the former Executive Director was instrumental in getting the Charter School at the Eastlake Development. Documentation indicates the WHA applied to the Delaware State Board of Education to open a charter school on the WHA property. In the spring of 1996, the Delaware State Board of Education approved the WHA's application stating the Charter School could open in September 1997. The Charter School opened on September 2, 1997.

Funds Used For Various Purposes

From November 1996 through June 30, 1997, the WHA used 1994 CGP funds totaling \$151,976 to renovate a community building, located in the Eastlake Development, for the Charter School. The funds were disbursed for: architect-engineer services; blue prints; interior demolition; roofing; masonry; doors; windows; carpentry; and asbestos abatement. Between July 1997 and January 1998, the WHA disbursed \$477,740 from the 1996 CGP to complete the work on the Charter School. The 1996 CGP funds were used for: general construction; plumbing; heating; fire-protection; electrical; and replacement of sidewalks. The WHA expended a total of \$629,716 for renovating the community building to house the Charter School.

The WHA Did Not Follow Requirements

We found the Annual Statements for fiscal years 1994 through 1997 and the Five-Year Action Plan did not disclose any cost or information on the Charter School. Also, the WHA's Physical Needs Assessment did not contain any information about the Charter School or about the renovation of the community building.

The WHA did not issue any Public Notices and did not hold advance meetings with its tenants or hold a public hearing on the use of funds for the Charter School. In addition, the HUD office was not aware of the use of funds for the Charter School and did not approve the use of CGP funds for the nondwelling space. In fact, in a letter dated November 30, 1999, HUD stated that costs for the

renovation of the community center were not included in the Physical Needs Assessment or in the Five-Year Action Plan. Further, no money should be spent from the Grant until revisions are made to the Physical Needs Assessment, including holding a hearing and a Board Resolution is submitted to HUD.

An Apparent Conflict Of Interest Existed

The WHA's former Executive Director was a member and Chairman of the Charter School's Board of Directors. The WHA's former Deputy Executive Director was the Charter School's Secretary. On August 1, 1997, the WHA executed a three year lease with the Charter School with the WHA to receive rent of \$1 per year. The former WHA Chairman of the Board of Commissioners, representing the WHA, and the former WHA's Executive Director, representing the Charter School as its Chairman, signed the lease. The lease provided that the WHA would provide, among other items, the following: utilities; cleaning of ice and snow from sidewalks; parking lot maintenance, including plowing; fire insurance; ordinary repairs and maintenance for the exterior; and structural repairs.

In addition, the former Executive Director made the WHA's secretarial services available to the Charter School and its four social service workers available to meet the needs of the students' families. The school's charter states the former Executive Director "...considers this to be a contribution of services to the school." Information was not on file or otherwise available to indicate the cost expended by the WHA by using its staff to take care of Charter School business and/or the impact it would have on WHA's operations.

Cost Of Operation Is Unclear

Information in WHA's files indicated that the Charter School would receive approximately \$7,000 per student per year from the State of Delaware. Also, at the end of the 1998 school year, the Charter School would have a surplus of \$100,000 to be carried into the next year. We could not determine the school's costs or the amount of monies/services provided by the WHA because the WHA incorrectly charged many General Ledger accounts with Charter School costs and a Charter School audit report was not available. At the February 25, 1998 Board meeting, the audit requirement was waived due to the \$4,000 cost of the audit.

In Finding 1, we reported Section 8, CGP, and Public Housing Operations funds used to support the school. Included in that amount was \$15,000 for over three month's salary for the Headmistress. The former WHA Executive Director apparently believed he was also running the Charter School. However, the Charter School Board, on June 11, 1998, advised him that he overstepped his boundary by usurping the Charter School Board's responsibility in employing staff. They also stated that, "... if you only want a rubber stamp group then you have selected the wrong people on this Board". The Board directed him to rescind the offer and take steps to obtain candidates for the Headmistress position. The Board's action resulted in the former Executive Director resigning from the Charter School's Board on June 11, 1998.

In our opinion, the three former officials of the WHA (Executive Director, Deputy Executive Director, and Chairman of the Board of Commissioners) did not represent the interest of the WHA and took advantage of their positions with the WHA to misuse Federal funds. Further, the actions of the former Executive Director and the former Deputy Executive Director appear to be a conflict of interest since they were also serving on the Board of the Charter School. The CGP funds totaling \$629,716 should have been used to fund work that was stated in its Physical Needs Assessment.

Recommendations

We recommend that you :

- 2A. Determine if the Charter School is an allowable activity to be funded with CGP funds. In the process, you should require the WHA to determine the need for the Charter School and its benefit to public housing. The WHA should provide your office, as a part of that determination, information on the school's enrollment since it became operational. That information should include, and not be limited to, for each student: his or her name, address, if the student resides in a WHA development, total family composition, and total family income. If, after considering this information, you determine the Charter School ineligible for funding, take action to recover the \$629,716 from the WHA.

The WHA Did Not Follow Its Own Procurement Policy or Federal Purchasing Requirements

The WHA's procurement practices did not comply with Federal purchasing requirements nor its own procurement policy. Specifically, we noted instances where: (1) various Departments within the WHA were purchasing goods and services contrary to Policy; (2) contracts were awarded with no evidence of competition; (3) no independent cost estimates were performed; (4) contracts were awarded without required approval of the Board; (5) no system was maintained to ensure that contractors perform in accordance with the contract; and (6) services were not obtained properly. These deficiencies occurred because of an apparent disregard, on the part of the former Executive Director and the WHA staff, of Federal and the WHA procurement requirements. As a result, the WHA has no assurance that it obtained the best available products and services at the most advantageous prices.

Procurement Practices Must Meet Federal Standards

Procurement practices must meet Federal purchasing and contracting standards contained in 24 CFR 85.36. These regulations require the WHA to:

- Have and use its own procurement standards which reflect applicable State and local laws and regulations, provided the standards also conform to applicable Federal laws and standards [24 CFR 85.36(b)(1)];
- Maintain records sufficient to detail the significant history of a procurement. These records must include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price [24 CFR 85.36(b)(9)];
- Conduct all procurement transactions in a manner providing full and open competition [24 CFR 85.36(c)(1)];
- Perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent cost estimates before receiving bids or proposals [24 CFR 85.36(f)(1)];

- Maintain a contract administration system which ensures contractors perform in accordance with the terms, conditions, and specifications of their contracts [24 CFR 85.36(b)(2)].

Further, HUD Handbook 7460.8 REV-1, Procurement Handbook for Public and Indian Housing Authorities, Paragraph 3-2 provides that housing authorities should establish a procurement policy to comply with 24 CFR 85.36. Also, the policy should comply with the public contract laws of the State in which it is located and include any additional policies or procedures that are necessary for efficient and effective procurement.

The WHA Did Not Follow Its Own Procurement Policy

1. Various Departments within the WHA were purchasing goods and services contrary to Policy.

Section I. A. 1. of the WHA's Procurement Policy states that all purchasing for the WHA is to be done by the Purchasing Division. The Procurement Policy allows an exception to this requirement only in the case of an "...extreme emergency situation."

We judgmentally selected and reviewed 32 procurement actions to determine how the services were obtained by the WHA. Based on this review, we noted 19 of the 32 procurement actions, contrary to the WHA's Procurement Policy, were processed by Departments other than the Purchasing Department. We found 6 of the 19 actions totaling approximately \$6.1 million were funded under the WHA's Comprehensive Grant Program and the procurement was processed by the Capital Improvement and Development Department. For the other 13 of the 19 procurement actions totaling approximately \$716,000, the procurements were made by various Departments, other than the Purchasing Department.

Competition Was Not Evident

2. Contracts were awarded with no evidence of competition.

We found there was no evidence of competition in 15 of the 32 procurement actions we reviewed. As a result, the WHA has no assurance that it obtained the best available services for the most advantageous prices.

In addition, as discussed in section 3. below, none of these procurement actions had cost estimates prepared prior to the procurement of the goods and services. The following are examples of services procured without evidence of competition:

<u>Contractor/Vendor</u>	<u>Month/Year</u>	<u>Amount</u>
Creative Images Modeling School, Inc.	03/97	\$101,500
Nesby and Associates, Inc.	06/97	\$ 35,307
ConnecTechnologies, Inc.	09/98	\$ 9,900
BME	10/98	\$ 48,000

Creative Images Modeling School, Inc.

The WHA contracted with Creative Images Modeling School, Inc., to provide Personal Development Courses designed to help girls cultivate personal skills. The initial contract was signed by the contractor's President and the former Chairman of the Board on March 24, 1997 for \$56,500. On May 26, 1998, the same two parties signed another contract for \$45,000. Both contracts were approved by the Board of Commissioners. There was no evidence of competition, advertising, or an independent cost estimate to determine whether the cost associated with these contracts was reasonable. We questioned the cost of these contracts in Finding 1.

Nesby and Associates, Inc.

Nesby and Associates, Inc., entered into a contract with the WHA to provide training and consulting services to help the WHA advance its current diversity effort. The contract we were provided was not signed by the contractor or by the WHA. There was no evidence of competition, advertising or an independent cost estimate for the procurement action. The contractor received \$35,307 for its services.

ConnecTechnologies, Inc.

Effective September 24, 1998, the former Executive Director entered into a contract with ConnecTechnologies, Inc. to provide an initial assessment report related to Year 2000 problems. The contract was signed by the former

Executive Director on October 9, 1998. Under the contract, the WHA was to pay ConnecTechnologies, Inc. \$150 per hour for services at a minimum of 66 hours. ConnecTechnologies, Inc. was paid \$9,900 (\$150 per hour x 66 hours). There is no evidence of any competition or of an evaluation of costs prior to the execution of the contract. In addition, the WHA could not provide the initial assessment report that the contractor was to produce.

BME

On October 19, 1998, the effective date of the contract, the former Executive Director entered into an agreement with BME to provide services related to Year 2000 issues. The contract provided for the WHA to pay BME \$150 per hour for its services. The contract was to begin on October 19, 1998, and end on November 20, 1998. There is no evidence of any competition or evaluation of costs prior to the execution of the contract. In addition, there is no evidence that the Board of Commissioners approved the contract.

The contract did not address the number of hours the contractor was to work nor did the contract include a maximum price the WHA would pay for the services. The contract we were provided was not signed nor dated by either party. There was no documentation of what hours the contractor worked and there was no documentation to indicate any report or other information was provided to the WHA. The WHA paid the contractor \$48,000 based on two invoices (\$24,000 each).

Required Cost Estimates Were Not Performed

3. No independent cost estimates were performed.

The WHA did not prepare the required independent cost estimates in 30 of the 32 procurement actions we reviewed. Title 24 CFR 85.36(f)(1) requires the WHA to perform a cost or price analysis in connection with every procurement action, including contract modifications. Without the required cost estimates, the WHA has no assurance it obtained the best available services at the most advantageous prices.

Board Approval Was Not Obtained

4. Contracts were awarded without required approval of the Board.

The WHA did not obtain the required approval of the Board of Commissioners in 7 of the 32 procurement actions we reviewed. These 7 contracts totaled approximately \$281,000. Section VI. 1. E. of the WHA's Procurement Policy requires the approval (by Resolution) of the Board for all purchases over \$10,000.

The WHA Needs A System To Ensure Contractor Performance

5. No system was maintained to ensure that contractors perform in accordance with the contract.

Other than the contract register maintained by the Capital Improvement and Development Department for the Comprehensive Grant Program, the WHA generally has no system in place to ensure that contractors perform in accordance with the terms and conditions of their contracts. Contract folders were unorganized, all bid documents could not be located, and, in some cases, the contract was not signed and dated. Also, contract information was not centralized; therefore, information concerning various contracts had to be taken from different Departments to create a procurement history.

Title 24 CFR 85.36(b)(2) requires the WHA to maintain a contract administration system which ensures contractors perform in accordance with the terms, conditions, and specifications of their contracts. Similarly, paragraph 2-11 of HUD Handbook 7460.8 REV-1 provides that once the contract is awarded, the WHA needs to ensure that the supplies, services or construction under contract are performed in an acceptable manner.

Purchase Split To Avoid Purchasing Requirements

6. Services were not obtained properly.

Section I. B. of the WHA's Procurement Policy states:

- “1. Purchases that do not exceed \$2,500 can be made in the open market after such inquiry as necessary to ensure that the price obtained is the most advantageous....
2. Purchases and contracts from \$2500.01 to \$5000 require competitive quotes...

3. Purchases and contracts from \$5000.01 to \$9999.99 require soliciting written competitive quotations from three sources...
4. Purchases and contracts with a value of \$10,000 or more require formal advertising methods..."

We found the Purchasing Department was splitting work into multiple purchase orders to avoid the more restrictive requirements of the WHA's Procurement Policy. In one case, the WHA issued a number of purchase orders to have its units painted. For example, on May 5 and May 8, 1998, three purchase orders were issued for a total of \$3,300 and on May 29, 1998, three additional purchase orders were issued to the same painting contractor for a total of \$3,150. In fiscal year 1998, the WHA paid this painting contractor \$74,800.

In addition, although it was not part of the judgmental sample of 32 procurement actions, we noted an instance where the former Executive Director split a purchase to obtain computer equipment and services so the amount would remain under the \$10,000 threshold required for Board review and approval. Altogether three checks totaling \$21,481.16 were issued for this procurement. We were informed the former Executive Director was aware of his actions, admitted being admonished by the Board and HUD for similar actions in the past, and explained he did not have sufficient time to procure the desired services properly.

Agreement With A Resident-Owned Business Did Not Meet Requirements

In one contract, we noted the WHA did not properly obtain painting and janitorial services from a resident-owned business. Effective June 29, 1998, the WHA and the NorthEast Resident Council (NERC) entered into an agreement for the resident-owned business to provide painting and janitorial services. However, the agreement did not meet all applicable requirements for the procurement.

Title 24 CFR Part 963 provides Public Housing Agencies (PHA's) a method of soliciting and contracting with eligible and qualified resident-owned businesses for services, supplies, or construction. Requirements for

eligible resident-owned businesses are contained in 24 CFR 963.10 which states a business must be legally formed and resident-owned.

Further, paragraph 9-3 A. of HUD Handbook 7460.8 REV-1 emphasizes that the alternative procurement process in 24 CFR Part 963 is based on the established procurement procedures and requirements in 24 CFR 85.36, but limits solicitation to resident-owned businesses. Paragraph 9-3 B. of the Handbook lists the steps for the alternative procurement process which includes several actions to be taken by the Authority.

We found no evidence that the WHA obtained the required documentation to determine if the NERC was eligible to participate in the alternative procurement process. In addition, there was no evidence that the WHA performed the required cost or price analysis or obtained the required quotes or offers from one or more resident-owned businesses.

The agreement specified a price list for the various services to be provided by the NERC but the agreement did not contain a dollar amount limiting the amount the NERC could receive. Since the date of the agreement, the WHA paid NERC \$163,375.

The WHA's Policy Does Not Address Certain Services

We found the WHA's Procurement Policy does not specifically address the procurement of services related to construction and professional services (State requirements address both). However, the WHA was generally using Federal procurement requirements for its construction activities. The WHA's Procurement Policy only addresses purchases and contracts for "equipment, materials, supplies and non personal services".

In summary, although the WHA has a Procurement Policy, the WHA was ignoring its own Policy and the former Executive Director did not ensure the Policy was followed. The WHA must assure its Policy is strictly adhered to and implement a contract administration system to ensure procurements are made for the best goods and services at the lowest possible price.

Recommendations

We recommend you:

- 3A. Require the WHA to update its Procurement Policy to include provisions for the procurement of services related to construction and professional services.
- 3B. Require the WHA to establish, develop and ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract.
- 3C. Ensure, through appropriate monitoring, the WHA adheres to its established Procurement Policy and implements a contract administration system.

Ineligible and Unsupported Travel Costs Were Paid by the WHA

The WHA paid ineligible and unsupported travel costs of \$78,082 (\$14,250 of ineligible and \$63,832 of unsupported costs). This occurred because the WHA's former management, which included the Executive Director, Deputy Executive Director, and Board of Commissioners, ignored applicable Federal and WHA travel regulations and procedures. Additionally, the former Executive Director did not take any measures to ensure travel was performed within the approved WHA budgets. As a result, WHA funds were expended improperly and the Operating Reserves of the WHA were further depleted.

Criteria

OMB Circular A-87, Attachment B, paragraph 41, addresses travel costs. The Circular provides that allowable travel costs are transportation, lodging, subsistence, and related items incurred by employees traveling on official business. Further, such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two. In addition, the cost incurred for lodging, subsistence and incidental expenses shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as a result of the governmental unit's policy.

The WHA's Travel Policy, which covers out-of-town and local travel, provides for: (1) actual cost of lodging not to exceed \$100 per day, which can be modified on a case-by-case basis for high cost cities; (2) a per diem rate not to exceed \$50 per day for meals for overnight travel; and (3) reimbursement for meals for non-overnight travel of 6 hours or more, on a maximum per meal basis (Breakfast \$9, Lunch \$16, and Dinner \$25) but no reimbursement for meals consumed before departure or after return. Further, the Travel Policy requires travelers to submit a "Trip Report" and an "Expense Report" for each approved trip within one week of their return. In addition, each trip not covered by the Operating Budget approved by the Board, is to be evaluated by the Executive Director to determine the need for the travel and the budgetary limitations. Verbal approval is to be solicited from the majority of the Board if deemed necessary.

The Former Executive Director Exceeded Budget Limits

The former Executive Director did not take any measures to assure travel was performed within the approved budget. We found no evidence the former Executive Director approved trips or, when amounts were not contained in or were in excess of the approved budget, that he evaluated the requests or solicited Board approval. Total travel budget amounts for the five years ending March 31, 2000, were exceeded by as much as \$49,304. During the fiscal year ending March 31, 1998, the WHA incurred travel costs totaling \$89,164, the highest incurred during the period reviewed. The former Executive Director was suspended in the fiscal year ending March 31, 1999, and terminated in the fiscal year ending March 31, 2000. Actual travel costs for the fiscal year ending March 31, 2000, were reduced to \$17,243. The following illustrates the budgeted and actual travel costs for the period:

Fiscal Year	Budget Amount	Actual Travel Cost	(Over)/Under Budget
3/31/96	\$ 2,189	\$ 51,493	\$ (49,304)
3/31/97	55,000	66,564	(11,564)
3/31/98	62,070	89,164	(27,094)
3/31/99	50,000	48,015	1,985
3/31/00	4,000	17,243	(13,243)

Ineligible Costs Paid To Travelers

Our detailed review of travel expenditures for fiscal years 1997 through 1999 identified ineligible costs totaling \$14,250. Detailed information was provided to your office and the WHA during the audit. Some of the more significant ineligible costs are detailed below.

Meal costs of \$5,404 were incurred in Delaware and New Jersey on 67 separate occasions, ranging from a low of \$16.40 to a high of \$501.50. The meals in Delaware and New Jersey are considered local travel costs and are not reimbursable based on the WHA's Travel Policy.

In one instance, we noted the former Executive Director charged \$5,046 to the WHA's credit card for 20 rooms at a hotel in Tinton Fall, New Jersey. A notation on the credit card bill indicates the expense was for a basketball tournament.

The former Deputy Executive Director attended two conferences where the dates of travel extended beyond the travel time needed to attend the conferences, thereby incurring unnecessary costs of \$2,687. In addition, the former Deputy Executive Director did not take leave for the unauthorized travel days. On one trip, ten days were taken to attend a two-day conference in Tampa, Florida, and on a second trip nine days were taken to attend a five-day conference in San Antonio, Texas. The WHA did not have any business relationship in the areas visited by the former Deputy Executive Director. We were advised that the excess travel days were not authorized.

Costs Paid Without Adequate Support

Based on our review of travel expenditures for fiscal years 1997 through 1999, we found travelers were reimbursed for travel expenses totaling \$63,832 which were not adequately supported and/or did not comply with the requirements of the WHA's Travel Policy. The following table summarizes these costs. Detailed information was provided to your office and the WHA during the audit.

Number of Occasions	Category	Total Amount
41	No Receipts	\$ 21,321.56
49	No "Expense Report" and No Receipts	36,348.33
9	No Check Voucher, no receipts, and no "Expense Reports"	6,161.98
99	Total	\$63,831.87

The former Executive Director submitted "Expense Reports" for 45 of the 49 trips that we reviewed; however, none of the "Expense Reports" were reviewed or approved by the Board as required by the WHA's Travel Policy.

The former Deputy Executive Director did not submit required "Expense Reports" for 30 of the 32 trips we reviewed, and neither of the two submitted were approved by the former Executive Director as required. Additionally, we noted 22 of the 32 trips were only supported with a voucher, no receipts or other documents were attached.

The vouchers, used to request payment of a check, were not prenumbered and the former Deputy Executive Director approved her own vouchers (therefore, her own payments). No documentation was provided to support an independent review was made before or after payment.

This situation clearly illustrates a breakdown in the internal control over review and payment functions because the former Deputy Executive Director supervised the Finance Department and staff did not question when she approved her own vouchers. Additionally, the former Executive Director evaded his responsibilities by not providing the required approval of the former Deputy Executive Director's trips and by not ensuring her claims for payments were properly documented.

Lodging Cost Exceeded
Maximum

Fifty of 122 trips where lodging costs were incurred (41 percent) had daily lodging rates that exceeded the WHA's maximum of \$100 per day. The excess lodging costs were not authorized as required, nor did the former Executive Director subsequently approve them. Although costs were in excess of the policy limits, we found no evidence that the amounts were questioned before reimbursement was made.

Travel Advance Not
Supported Or Reconciled

In accordance with the Travel Policy, travelers are allowed to draw a travel advance up to one-and-one-half times the actual allowable expenses. Travel advances were made; however, we did not find "Trip Reports" or other documentation attached to the payment voucher to support the amount of the advance. When the travel was completed, we did not find that the advance was reconciled with the actual allowable expense incurred.

Recommendations

We recommend you require the WHA to:

- 4A. Repay the ineligible cost totaling \$14,250.
- 4B. Provide documentation to support the eligibility of the unsupported travel cost of \$63,832 and require the WHA to reimburse any amounts not supported or determined to be ineligible based on your review of the support provided.

- 4C. Change its method of budgeting travel. The changes should include, but not be limited to, listing specific types of travel, locations, number of staff and Commissioners involved, and estimated cost.
- 4D. Update its travel policy and procedures to include the following requirements.
- The amount of travel advance will be no greater than the estimated cost the traveler will be paying.
 - Per Diem will be reduced by the allowance for meals provided as a part of a meeting or conference.
 - The costs of meals before departure or after return are not reimbursable for overnight travel.
 - Redesign a “Trip Report” to include a complete itinerary, travel estimate of the traveler (type/cost of transportation, hotel and hotel rate, per diem, taxi, auto rentals, etc.), time and dates of planned departure and return to Wilmington, dates of meeting/conference, appropriate approval signature blocks including certification by Director of Finance that amounts are within the budget, and space for traveler’s comments on the trip.
 - The “Expense Report” requires the listing of all costs claimed/paid, reconciliation of travel advance, submission of receipts to support claim, actual times of departure and return to Wilmington, and traveler’s certification that costs are true and correct.
 - The Executive Director’s “Expense Report” and “Trip Report” be reviewed by the Director of Finance and approved by the Board.

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Management Controls

In planning and performing our audit of the WHA, we considered the management controls to determine our auditing procedures and not to provide assurance on management control. WHA's Management is responsible for establishing effective management controls. Management control is the process effected by WHA's Board, managers, and other personnel, designed to provide reasonable assurance for achieving objectives for program operations, validity and reliability of data, compliance with applicable laws and Regulations, and safeguarding resources.

Relevant Management Controls Considered

We determined that management controls over Cash Disbursements, Comprehensive Grant Program, Procurement, and Travel were relevant to our audit objectives. For each of those activities, we assessed the risk, control environment, control activities, and internal monitoring and reporting functions. We made our assessment and gained our understanding through a testing of the transactions in each of the activities.

Significant Weaknesses

It is a significant weakness if management controls do not provide reasonable assurance that resource use is consistent with laws, Regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports.

Our audit disclosed significant weaknesses with Cash Disbursements (Finding 1), the Comprehensive Grant Program (Finding 2), Procurement (Finding 3), and Travel (Finding 4).

In addition, during our review we found that costs had been coded to incorrect General Ledger accounts. We also found staff paid the amount on invoices and vouchers without questioning the eligibility of the cost.

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Follow Up On Prior Audits

The HUD Office of Inspector General previously audited the WHA's Comprehensive Improvement Assistance Program. The audit report (Number 89-PH-209-1015) was issued August 17, 1989. The audit report had three findings. The findings' recommendations have been closed.

The State of Delaware, Office of Auditor of Accounts, performed an audit of the WHA and issued an audit report with 21 findings on September 29, 1999. In addition, the WHA's independent auditor performed a Single Audit of the WHA activities for the two-year period ending March 31, 1999. The conditions in those reports also indicate a need to improve the financial management of the WHA's operations.

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Schedule of Questioned Costs

Recommendation Number	Ineligible 1/	Unsupported 2/
1B	\$ 687,349	
1C		\$309,273
2A	\$ 629,716	
4A	\$ 14,250	
4B		<u>\$ 63,832</u>
Total	<u>\$1,331,315</u>	<u>\$373,105</u>

- (1) Ineligible amounts are those that are questioned because of an alleged violation of a provision of a law, Regulation, contract, grant, cooperative agreement or other agreement or document governing the use of funds, or are otherwise prohibited.
- (2) Unsupported amounts are those whose eligibility or reasonableness cannot be clearly determined during the audit since they were not supported by adequate documentation or due to other circumstances. Under Federal cost principles, a cost must be adequately supported to be eligible.

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Schedule of Ineligible Expenses - Finding 1

Category of Expense	Program Charged			Total Ineligible Cost
	Public Housing	Comprehensive Improvement	Section 8	
Meals and food	\$ 75,185	\$ 445	\$ 11,538	\$ 87,168
Parkview Expenses	36,685	0	0	36,685
African American Women's Conference	28,492	0	0	28,492
Christmas Entertainment	28,075	0	8,210	36,285
Promotional Items	24,475	0	43,154	67,629
Photography, Videos, etc.	19,524	0	0	19,524
Event Tickets	18,337	2,050	29,864	50,251
Various Activities	15,087	0	0	15,087
Award Dinners	15,112	0	40,898	56,010
Charter School	13,929	28,000	15,208	57,137
Sponsorships	16,678	0	45,202	61,880
Awards & Trophies	7,597	0	0	7,597
Basketball	8,880	39,889	0	48,769
Flowers & Decorations	6,113	0	1,824	7,937
Activity Transportation	4,976	0	0	4,976
Modeling	4,750	10,000	0	14,750
Other Sports	0	18,718	0	18,718
Golf	165	2,660	0	2,825
Construction	0	0	10,000	10,000
Advertising	2,565	0	0	2,565
Graduation Activities	2,551	0	3,525	6,076
Credit Card	1,158	0	0	1,158
Other	32,795	1,964	11,071	45,830
Total Ineligible Cost	\$363,129	\$103,726	\$220,494	\$687,349

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